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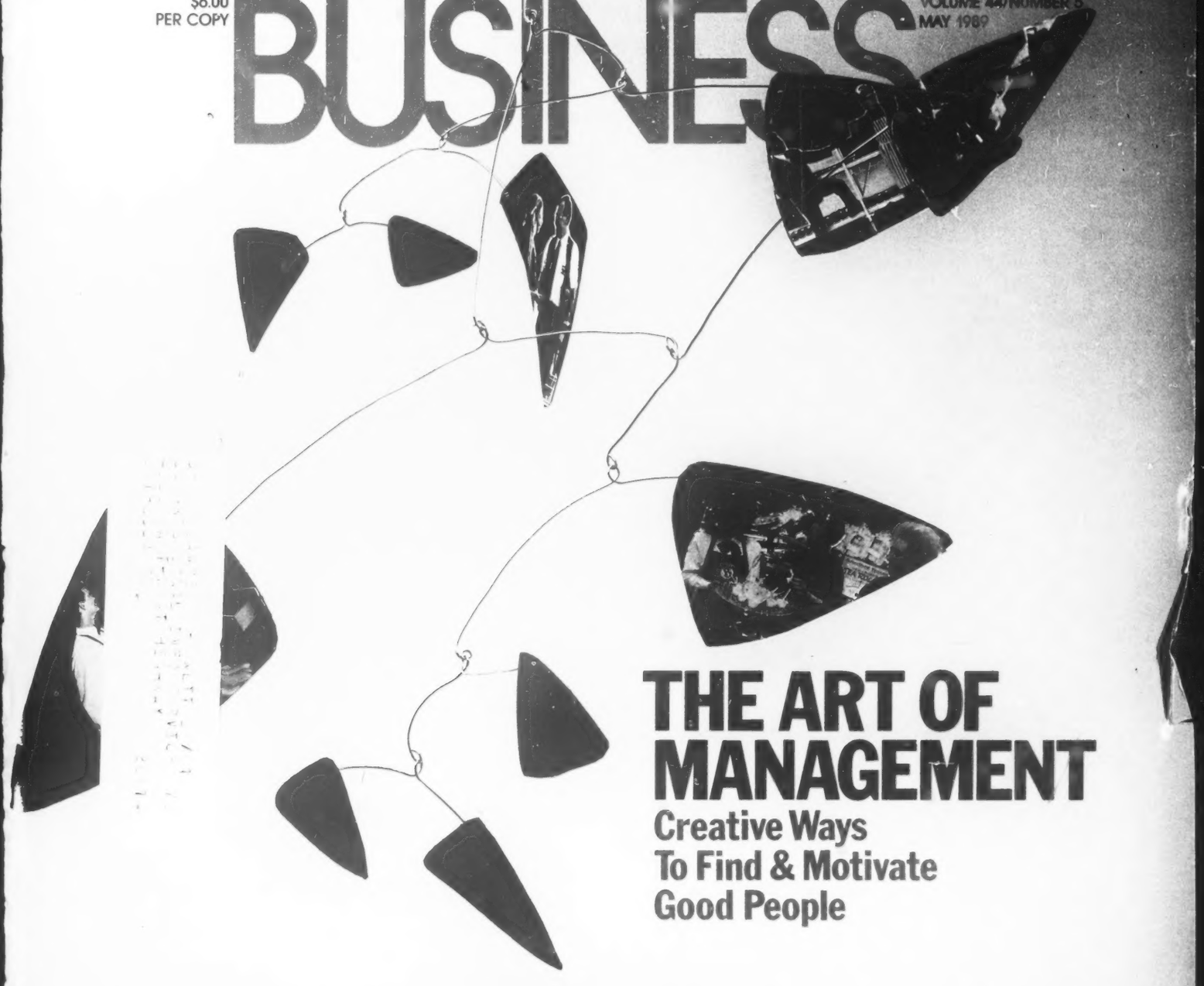

THE ART OF MANAGEMENT

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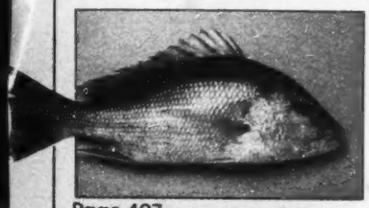

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By Ken Partch, Editor-in-Chief

WAFC: New Volcanos Erupt In Hawaii

Although Hawaii is some 2,400 miles from the Mainland, and is known for its volatility, little did I expect that the Western Association of Food Chains would ignite its own volcanos with one provocative speech after another.

At first, I wasn't sure if I had heard correctly, or if I had an earful of water. But, now, because I have since seen it in writing: Bob Aders of Food Marketing Institute did indeed call for the Federal Government to enforce the antitrust laws, as well as to take charge of the solid waste and food safety issues.

Recovering from that shock wave, we were then subjected to a thunderclap from Gene Ellerbee of P&G on the revelation of a new trade abuse—"backhaul diverting." The very next day, Fred Rentschler of Beatrice put us into total wipeout on the subject of trust and cooperation and the present lack thereof in the industry. This was all too much. I decided to go back to my surfboard—much calmer and safer.

As I am sure you have heard by now, two grocery manufacturers stopped muttering in private and started speaking out about supermarket practices they don't like—practices they think are unfair, at best, and illegal, at worst. Gene Ellerbee, corporate sales manager- West, Procter & Gamble, was the first to speak out, at the Tuesday afternoon forum. (Incidentally, this session has become so popular that, even on a beautiful day at Waikiki Beach, it was SRO.)

Gene mentioned a practice called "backhaul diverting." This is where an operator makes a pickup at a P&G distribution center with a backhaul allowance for a stated location, but then actually sells it at another location of a shorter distance and pockets the difference in freight rates. Gene pointed out that this is a violation of the Motor Carrier Act of 1980, and potentially a violation of the Robinson-Patman Act. That sounds like a wrinkle on the old co-op ad scam, where the operator runs an ad at the "local" advertising rate and tries charging the "national" rate for the co-op allowance.

The next day, Fred Rentschler, president & CEO of Beatrice Co., took exception to the now recurring charge that retailers have to ask for slotting allowances because manufacturers no longer test market their new products. But the important point that Fred made was that these practices, including unfair damage charges at reclamation centers, are destroying the trust that is necessary between both parties in the cooperative effort of serving consumers.

A business as sensitive to consumer attitudes as the food business can't afford to be anything less than 'Mr. Clean.'

He also pointed out that in the retailers' efforts to reduce the profit margins of manufacturers and to increase their own, manufacturers will be left with just two choices: to increase prices or pull back on advertising to consumers. Both would hurt sales and, therefore, hurt retailers.

The point to be made here is that saying these things in public, for the record, is the important thing. Some of the people at the meeting thought these things should not be said in public. But that's where we disagree. Until now, we have thought that we at SUPERMARKET BUSINESS were a voice shouting in the wilderness. Until now, people have been saying that nothing is gained by voicing these things in a public forum, but that they should be dealt with on a face-to-face basis between buyer and seller.

We don't agree. If these were isolated instances, yes. These practices have been going on for years. But when they become the norm, and become the subject of TV talk shows and the daily newspapers, then an entire industry is running the risk of punitive legislation and regulation. It is apparent that on some levels of the industry it is not even understood that some of these practices are illegal. Because as Gene Ellerbee said, when he brought the practice of backhaul diverting to the attention of the top management of these retailers, in every case the violations stopped.

But sometimes abuses and questionable practices become so widespread that even trade associations can't deal with them without general and widespread support and discussion. Perhaps this is why Bob Aders of Food Marketing Institute chose the opportunity during his remarks at WAFC to ask for the federal government to deal with the problems of solid waste and food safety, and to enforce the antitrust laws. As he said, the federal government is the only agency that can deal with problems of this magnitude.

Laissez-faire is fine in a civilized environment of equals. But in a time of great shifts in power, economic warfare and general consolidation only the very powerful are equals in any sense. In between, an awful lot of unequals get trampled or merely bypassed. If you have ever done business in a foreign country, where bribing public officials is the "normal" way of doing business, you quickly realize what a blessing it is to do business on an everyday basis where general honesty and trust is to be expected.

Aders has probably realized

Continued on page 13

TRADE SCAN

WAFC: New Volcanos Erupt In Hawaii

It was all too much. I decided to go back to my surfboard—much calmer and safer.

Continued from page 9

that there is a limit to what a trade association can accomplish without the general support of its industry and membership. But to get the laws enforced—just enough to keep the honest guys honest—requires group action and group lobbying. After all, if you don't get the laws enforced, enough to prevent widespread, generalized chicanery, you'll never know whether you are really getting the best deal or not, or all that you are entitled to or not. A free market system, like a democracy, grinds to a stop without general trust and general honesty in everyday business relationships.

Right now, the businessman

Manufacturers will be left with just two choices: to increase prices or pull back on advertising to consumers. Both would hurt sales and, therefore, hurt retailers.

is something of a folk hero in the U.S. and the world. But it is not going to last, says *The Economist* in its April 15 cover story, "Backlash Against Business." Straws are already in the wind, the magazine says, of a coming anti-business mood. "Public attitudes to business are as cyclical as any other phenomenon," it states. A business as sensitive to consumer attitudes as the food business can't afford to be anything less than "Mr. Clean."

One thing is certain. The program committee at WAFC deserves a lot of credit for having the nerve and the good sense for allowing speakers to call a spade, a spade. It was a breath of fresh air.

Manufacturer Coupons Registered Double-Digit Growth In 1988

Coupons placed by packaged goods manufacturers in print media increased in number by 14.6 percent in 1988.

According to Summary Scan, a division of The Advertising Checking Bureau, Inc. (Chicago), 252.7 billion manufacturers' coupons were placed in print media last year versus 220.5 billion in 1987.

Three factors were responsible for the increase.

—A 7 percent increase in promotional ads or regional variations of the same ads.

—Increased circulation of freestanding inserts and direct mail properties.

—Growth of multicoupon ads, especially those that offer coupons for tie-in products.

The dollar value of redeemed coupons—on average about 4 percent of those circulated—was $4.66 billion in 1988, including 10 cents-per-coupon handling charge. This represents an increase from 1987 figures.

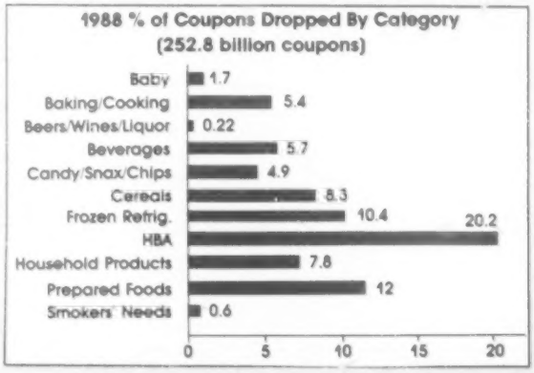
Freestanding inserts accounted for 88 percent of coupons, up from 82 percent in 1987 and 80 percent in 1986. Kermit Myers, director of Summary Scan, credits low FSI space rates during 1988 for the increase.

Comics carried fewer than .1 percent of coupons distributed, while direct mail had 4.42 percent; magazines, 2 percent; Sunday magazines, .1 percent; best food day black and white solos and co-ops, 4.7 percent, instore pass-outs, .5 percent. Because percentages of media may fluctuate relative to one another, a category reporting a smaller share may not actually have a smaller coupon volume.

The most highly couponed category was health and beauty aids, with 20 percent of the total. Following were prepared foods, with 11.9 percent; frozen/refrigerated, 10.4 percent; cereals, 8.3 percent; and household products, 7.8 percent.

The biggest increases came in baby products, up 116 percent to 1.7 percent of all coupons. Other gainers include prepared foods, up 33.6 percent; processed meat, up 24.5 percent; frozen and refrigerated products, up 22.4 percent; HBA, up 21 percent. Categories that dropped fewer coupons include cookies/crackers, down 8 percent; pet foods, down 7.5 percent; and candy/snacks/chips, off 5.2 percent.

Of the 37,748 promotion ads tracked by Summary Scan, 36 percent have an overlay, 27 percent had coupon only and 14 percent referred to "new" or "new-improved." It is noteworthy, according to Summary Scan, that 23 percent of these promotions—a total of 75 million coupons—offered a refund, free offer or other promotional device rather than a classic coupon.



SUPERMARKET BUSINESS Wins Award For Editorial Excellence

Amid the stiffest competition ever, a SUPERMARKET BUSINESS staffer has been honored with a 1989 Jesse H. Neal Certificate of Merit for editorial achievement.

The Neal Awards have been made annually for 35 years by the Association of Business Publishers (ABP).

The award, for "Best Feature," was made to Carol Fensholt, associate publisher of SUPERMARKET BUSINESS Magazine, for her five-part May 1988 technology cover story, *Simplifying Supermarket Communications*.

"Considered the 'Pulitzer Prize' of the business press, the Neal Award is the business publishing industry's salute to individual editors for outstanding editorial excellence," according to William G. O'Donnell, ABP president.

"The contributions of our winners exemplify all that is good about the business press."

This year's entries totaled 774, the highest number to date.

Entries are divided into three classifications, based on publication ad revenue. A total of 19 certificates was presented. Carol Fensholt's award was one of only two presented in the "Best Feature" category in SUPERMARKET BUSINESS's revenue classification.

Carol Fensholt

A nationwide panel of 15 professional journalists and educators judged the competition. Awards were presented at ABP's annual Neal Awards Banquet, held March 1 at the Plaza Hotel in New York.

As Coupons Grow, Promos Slow

While the pace of media couponing increased in 1988, instore promotions grew by less than 5 percent, reversing a trend that was seen in 1987.

According to the Advertising Checking Bureau's Summary Scan division (Chicago), the 5 percent increase in instore promotions compares with a 14.6 percent couponing growth during 1988. Conversely, in 1987, couponing grew just 6 percent, while instore promotions increased 15 percent over 1986.

Kermit Myers, director of Summary Scan, speculates that, with the price of freestanding inserts going up dramatically, and with "little room left on any package to carry any more offers," the growth of both types of deals should "finally" level out in 1989.

More instore promotions—33 percent—were directed at "new" or "improved" products than at any other category.

"Value offers"— which include such promotional categories as coupons, refunds, bonus product or cents off— accounted together for 39 percent of all offers. "Value added" promotions such as self-liquidators, sweepstakes and in-pack prizes accounted for the rest, about 25 percent.

Value offers fell precipitously in 1988 from 48 percent in 1987.

HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO 4 WEEKS ENDING 12/30/88	4 WEEKS ENDING 1/27/89	4 WEEKS ENDING 2/24/89
BABY NEEDS	**+ 2.2%**	**– 9.9%**	**– 5.4%**
Baby Powders	+ 0.2	– 7.6	+ 3.3
Baby Oils, Creams & Lotions	+ 2.4	–16.3	–11.4
Infant Clothes	– 8.8	– 9.9	–10.9
Nursing Supplies	+ 4.9	– 2.3	– 0.4
DEODORANTS	**+ 5.1%**	**– 1.6%**	**+ 1.6%**
Sprays	+ 7.6	+ 2.5	+ 5.7
Roll-Ons	– 0.2	– 8.3	– 5.5
Stick Deodorants & Pads	+ 5.7	– 0.2	+ 2.5
Creams	– 4.6	–12.1	–14.8
Deodorants & Talcum Powders	+ 4.2	+17.6	+ 8.9
Feminine Hygiene Deodorants	+61.9	+27.6	+21.9
Foot Deodorants & Athlete's Foot Remedies	+15.0	+ 6.4	+ 7.3
Feminine Douches	+ 3.9	– 6.4	+ 3.2
FIRST AID	**+ 0.4%**	**– 2.4%**	**– 3.0%**
Antiseptics	+ 3.5	+ 0.4	– 3.2
First Aid Products	– 0.4	– 3.2	– 3.0
HAIR CARE NEEDS	**+ 5.5%**	**– 0.4%**	**+ 0.6%**
Shampoos	+ 1.6	– 4.6	– 1.5
Hair Sprays	+ 9.2	+ 6.2	+ 5.7
Hair Conditioning Rinses	+12.1	+ 2.9	+ 3.2
Hair Setting Needs	+ 7.7	+ 0.2	– 0.5
Home Permanent Kits	– 9.1	–11.0	– 9.1
Hair Coloring	+ 5.6	+ 0.3	– 4.0
Hair Dressing Needs	– 4.0	–11.1	–11.6
ORAL HYGIENE	**+ 2.2%**	**+ 1.2%**	**– 5.8%**
Toothpastes & Powders	+ 1.0	+ 0.8	– 9.6
Mouthwashes	+ 2.0	– 0.5	– 0.5
Breath Fresheners	+10.6	– 4.0	– 2.2
Denture Cleaners	+ 5.0	– 1.1	– 0.4
Denture Adhesives	+ 4.4	– 2.6	– 1.1
Toothbrushes	+ 5.4	+ 4.5	– 1.3
Dental Aids	+ 3.8	+12.5	– 3.7
PROPRIETARY REMEDIES	**+ 4.6%**	**– 3.2%**	**+ 2.5%**
Antacids	+ 0.6	– 7.7	– 4.9
Internal Analgesics	+ 3.7	– 4.7	+ 0.1
External Analgesics	+ 6.2	– 4.1	– 3.5
Cold Remedies	+10.2	+ 4.0	+13.9
Nasal Sprays—Drops—Inhalers	– 2.6	– 6.7	– 5.3
Chest Rubs	+ 4.9	– 7.5	+ 8.5
Cough Remedies	+ 2.1	– 6.4	+ 8.2
Laxatives	+ 6.2	+ 0.4	– 3.1
Sleeping Aids	+ 3.4	– 1.5	+ 2.7
Tranquilizers	– 1.4	– 6.8	+ 9.1
Synthetic Vitamins	+11.5	+ 3.8	+ 5.5
Eye Care Products	+12.8	+ 5.5	+ 2.5
Appetite Suppressants	+10.2	–11.2	–23.4
SHAVING NEEDS	**+ 6.5%**	**– 4.1%**	**+ 1.5%**
Shaving Creams	+ 5.9	–15.3	–11.2
Pre-Shave Lotions	– 6.7	+ 3.7	+ 9.7
After-Shave Lotions	+ 0.5	– 2.1	+ 1.7
Razor Blades	+ 8.1	+ 0.5	+ 7.2
Razors & Blades	+ 2.6	+ 1.1	– 3.3
SKIN CARE AIDS	**+17.4%**	**– 7.6%**	**+ 2.3%**
Hand & Body Creams & Lotions	+33.0	– 8.9	+ 2.4
Facial Preparations	+ 8.6	– 1.8	+ 7.9
Lip Care Products	+ 8.7	–11.5	– 3.6
Suntan Lotions & Oils	+57.8	+23.0	+42.3
Cosmetic & Medicated Skin Aids	+ 2.1	– 3.9	+ 0.9
TOTAL ALL CATEGORIES	**+ 1.8%**	**– 3.3%**	**– 1.1%**

HBA Sales Improve, But Still Trail Year-Ago Volume

Gains among cold and cough remedies contribute to more bullish outlook.

BY ALAN MILLER JR.

Unit volume during the four weeks ending February 24 in the 52 HBA categories shown in the adjacent table were just 0.1 percent behind the level in the corresponding period a year ago. In the January 1989 reporting period unit volume was 2.3 percent lower than in the year before, so there has been a modest improvement in the trend.

Dollar sales also picked up, moving from a gain rate of 2.6 percent in January to an advance of 6.0 percent as of February 24 compared with a year ago. The trend improvement for health and beauty aids was matched in each of the other SAMI product departments in February.

Poundage of shelf-stable foods was ahead in February as compared with a loss of 3.7 percent the month before. A loss of 4.2 percent in January among frozen foods was replaced by a gain of 0.2 percent in February, while a poundage loss of 0.8 percent for refrigerated foods became a gain of 5.3 percent. Finally, in the dry grocery nonfoods group of products a 2.1 percent drop in unit movement improved to a February increase of 0.2 percent.

The February unit loss in HBA categories represented the only four-week negative trend among the five product departments and the 6 percent gain rate on a dollar basis was higher only than the 3.0 percent dollar gain in the case of frozen foods.

Five groups have gains

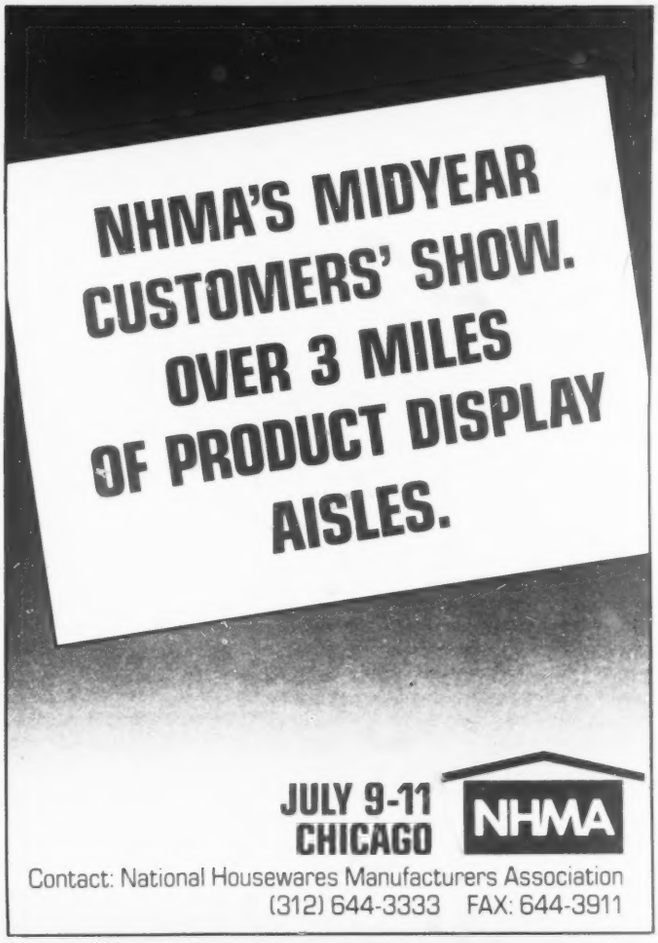
In the preceding period there was only one product group with a 28-day gain in units and that was for oral hygiene products, with a 1.2 percent increase. In the February reporting period five product groups registered gains and three had losses, topped by a 5.8 percent drop in oral hygiene, which had been a bright spot in January. In the losing column were baby needs (– 5.4 percent) and first aid (– 3.0 percent). The gains were made by deodorants (+ 1.6), hair care needs (+ 0.6), proprietary remedies (+ 2.5), shaving needs (+ 1.5) and skin care aids (+ 2.3).

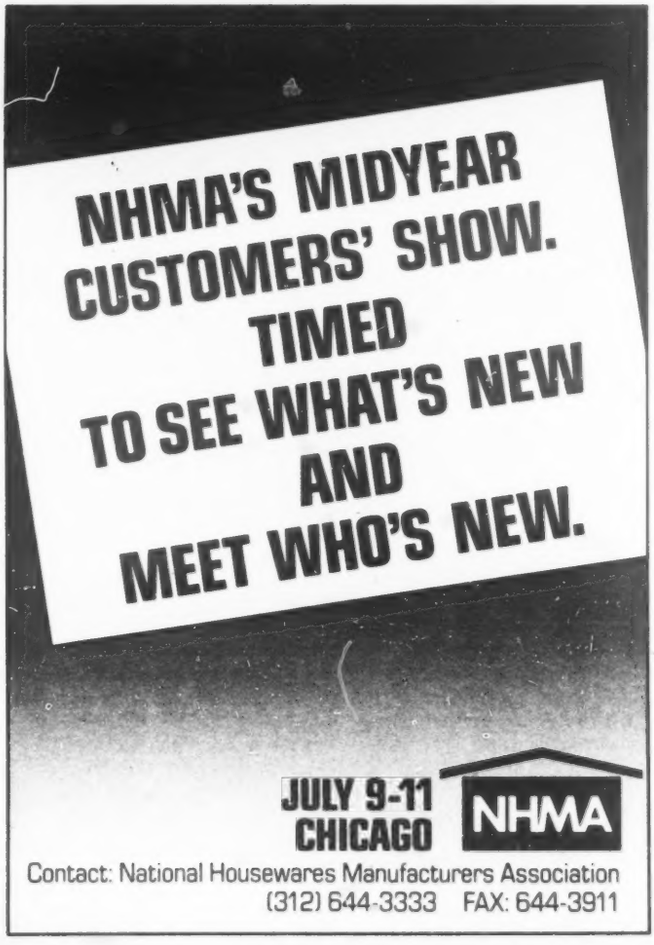
Among the 52 categories included in our monthly report, 25 showed gains and 27 had losses. This compares with 21 gainers and 31 losers during the preceding months. Also gaining in four-week unit volume were two additional categories for which year-ago volume is now available: personal lubricants (16.0 percent) and home testing kits (+ 34.2 percent). HBA volume also was stronger in February in drugstores, moving from a unit sales loss of 1.7 percent to a gain rate of 1.6 percent between periods.

Three of the four categories of baby needs were in the loss column, but the good news was the return to black ink for baby powders (+ 3.3 percent). Even though in all four categories combined there was a decline of 5.4 percent, this represents some improvement over January, when a loss of 9.9 percent was registered. Currently, the two weakest baby needs categories are baby oils, cream & lotions (– 11.4 percent and infant clothes (– 10.9 percent). The loss among nursing supplies was just 0.4 percent.

Sweet smell of success

Six of the eight personal deodorant categories tracked by SAMI enjoyed unit sales increases in January as high as 21.9 percent in the case of feminine hygiene deodorants, where the new Massengill towelettes are found. There were also increases in excess of 5 percent in the case of deodorants and talcum powders (+ 8.9 percent), foot deodorants and athlete's foot remedies (+ 7.3) and spray deodorants (+ 5.7 percent as a result of new product activity—Speed Spray, Lady Speed Spray and Ban). Current losses were found in the same two categories in which there are negative trends for the full year—roll-





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ons and creams—which suffered four-week losses of 5.5 percent and 14.8 percent, respectively.

Both of SAMI's first aid categories had lower volume than in a similar year-ago period. Antiseptics fell 3.2 percent compared with a gain rate of 0.4 percent in January, while first aid products had a loss of 3.0 percent, which is higher than the 2.3 percent decline on a 52-week basis.

Hair care group gains

Only two of the seven categories of hair care needs had increased sales, but since they were in the high-volume categories of hair spray and hair conditioning rinses there was a gain in the product group as a whole (+ 0.6 percent).

There are three categories of hair care needs with losses both for the four-week and the full year: shampoo (− 1.5 percent and − 1.3 percent), home permanent kits (− 9.1 and − 2.6) and hair dressing needs (− 11.6 and − 9.4). Hair setting needs had a loss of 0.5 percent for the short term, but were ahead 2.0 percent for the year, while the four-week loss of 4.0 percent in the hair coloring category compares with a modest increase of 0.3 percent for the 52-week span.

There were four-week loss rates in all seven oral hygiene categories. The four-week volume of toothpaste and powder plummeted nearly 3 million units (− 9.6 percent). Lesser loss rates were found among dental aids (− 3.7) breath fresheners (− 2.2), toothbrushes (1.3), denture adhesives (− 1.1) and denture cleaners (− 0.4).

In the proprietary remedies product group the score was 9 to 5 for gainers over losers on a category basis and in all 14 of these categories combined there was an increase of 2.5 percent. That's about the same as the annual trend for the product group (+ 2.6 percent). The highest gain rate was 13.9 percent for cold remedies, where the increase translates to just under 2 million packages.

Increases were registered in three other categories having to do with coughs and colds—8.5 percent for chest rubs, 8.2 percent for cough remedies and a tiny gain of 0.1 percent among internal analgesics, which are often used for relief of cold and flu symptoms. There were significant gains for both synthetic vitamins (+ 5.5 percent), and natural vitamins, minerals and supplements (+ 7.6 percent), which also show strong performance on an annual basis (+ 7.8 percent for synthetic and + 6.6 percent for natural).

The highest loss rate was a four-week decline of 23.4 percent for appetite suppressants. The other four proprietary remedy categories with lagging sales were nasal sprays-drops-inhalers (− 5.3 percent), antacids (− 4.9), external analgesics (− 3.5 percent) and laxatives (− 3.1).

Three of the five categories of shaving needs enjoyed four-week gains. Pre-shave lotions improved 9.7 percent vs. a loss of 0.3 percent for the year. After-shave lotions were ahead 1.7 percent for the four weeks compared with a 52-week loss of 0.8 percent, but shaving creams were in the loss column for both intervals, with − 11.2 percent for the month and − 2.9 percent for the year. Razor blade sales increased 7.2 percent, but razors and blades were 3.3 percent lower than during the corresponding year-ago period.

Skin care aids revive

Returning to sales improvement were three skin care aids categories that had exhibited declines during the preceding four-week period. Hand and body creams/lotions were ahead 2.4 percent, facial preparations advanced 7.9 percent and cosmetic & medicated skin aids were up 0.9 percent.

Perhaps as a result of a mild winter in much of the country, there have been continuing sales increases in the off-season of suntan lotion and suntan oil. Sales of lip care products fell 3.6 percent behind last year's level, but this was an improvement over the 11.5 percent loss rate found in January. ■